

**GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA**

UNSTARRED QUESTION NO:2522

ANSWERED ON:30.08.2007

PROFIT MARGINS IN MEDICINES

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Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

- (a) whether profit margin of drug manufactures, wholesalers and retailers are included in the maximum retail price of medicines being sold on an average in the country;
- (b) if so, the percentage of all such profit margins vis-à-vis the manufacturing price of the medicine;
- (c) whether this maximum retail price also includes the taxes levied by the Government;
- (d) if so, the percentage of this tax levied;
- (e) whether the Government proposes to reduce the said profit margins; and
- (f) if so, the steps taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI B.K. HANDIQUE)

(a) : Profit margin of drug manufacturers, wholesalers and retailers is included in the maximum retail price of medicines being sold in the country. Govt. vide notification SO No.946(E) dated 26.6.2006 has made it mandatory to print MRP inclusive of all taxes on the medicines manufactured after 2.10.2006 in respect of indigenous medicines and 1.3.2007 for imported medicines. As a result no Pharma company can charge any additional tax after MRP.

(b): As per Para 7 of Drugs (Prices Control), Order, 1995 (DPCO, 95), maximum 100% of manufacturing price of medicines is allowed on the Scheduled formulations to take care of post manufacturing expenses and profit margins of manufacturers, wholesalers and retailers. No percentage of profit is fixed for Non-Scheduled formulations under DPCO, 95.

(c): The maximum Retail Price also includes the taxes levied by the Central as well as State Governments.

(d): The Central Government has levied 16% Excise duty on medicines. Almost, all State Governments have levied 4% VAT on medicines except Assam & Meghalaya who have levied 6% VAT on medicines. VAT has not been introduced in U.P. Govt. of Maharashtra has abolished MRP based levy on medicines. In States like Kerala and Tamilnadu, some of the life saving drugs are exempted from VAT.

(e) & (f): It is proposed to streamline the system of trade margins through the Draft National Pharmaceutical Policy, 2006 – 35% to retailers and 15% to wholesalers in respect of Generic Medicines. 20% for retailers and 10% for wholesalers for branded Generic medicines. For Scheduled drugs, it is proposed that the trade margins would be 16% to retailers and 8% to wholesalers. Draft National Pharmaceutical Policy was considered by the Cabinet at its meeting held on 11.1.2007. The Cabinet has referred the Policy to Group of Ministers (GOM). The First meeting of the GOM was held on 10.4.2007. No time frame has been set for finalizing the National Pharmaceuticals Policy.